

# That's life...

By THOMAS MCCARTNEY



I had the good fortune of having grown up as part of a multi-generational farm in a very picturesque setting. My family was very rich, but we had little money. It is not uncommon for small business owners to have most of their net worth tied up in their business and in this regard our situation was no exception. What was exceptional, however, was my father's foresight: he had secured permanent life insurance with a highly-rated company and regardless of what type of year the business had, he made sure that his premiums were paid.

As a result, when this Korean War Veteran and former collegiate athlete died at the young age of 64, after fighting cancer for 16 years, he was able to take care of the family he loved so dearly, even from the grave.

The concept of life insurance can be traced back to as early as 100 B.C. when soldiers of the Roman Empire formed burial clubs to pay for funeral expenses of fellow soldiers. Centuries later, a formal life insurance industry developed and continues to innovate and evolve. This protection long has been an essential foundational block of financial planning.

Whether you are interested in obtaining coverage for the first time or realize that it has been too long since you last reviewed

your current coverage, here is a quick primer.

**Term life insurance** covers you for a specific period of time, or term, and offers a death benefit, but no cash value. Term can be an inexpensive way to protect beneficiaries and can be utilized for:

- people who have a temporary need for life insurance protection (for example, a parent who wants to assure that there is money for college education.)
- individuals who need a large amount of insurance protection but have limited cash
- those with specific business needs (for example, protecting a business against the loss of a key employee).

**Permanent life insurance** is any form of life insurance other than term. Common examples include whole life, universal life (including indexed-universal life) and variable universal life. These policies combine term life insurance with a long-term, tax-sheltered savings plan.

**Permanent policies** are intended to provide a death benefit for an insured's lifetime. These contracts also build up a cash value that can provide some additional flexibility as you may be able to borrow against, withdraw from, or use to pay future premiums<sup>1</sup>. Permanent insurance is typically used for:

- estate planning including income tax-free death benefits that are also protected from the claims of creditors in many states<sup>2</sup>
- those who prefer more stable premiums over the life of the policy
- those who seek a policy that allows them to build tax-deferred values or even in some cases tax-free future income<sup>1</sup>

Deciding on the type and amount of life insurance you need – whether for personal or business solutions – requires proper consultation from a licensed financial advisor. In the meantime, if you'd like additional guidance feel free to visit [www.mapyourfuture.net](http://www.mapyourfuture.net) for tools to help prepare you for the conversation.

Dad seemed “bullet-proof”. As a youth, he was voted the “healthiest boy in Rock County” and as a man I felt he resembled the muscular, bald figure on the Mr. Clean label (minus the earring). The thought of becoming terminally ill in the prime of life seemed as remote to him as it may to you. There may be no better time to plan for your future than now<sup>3</sup>.

<sup>1</sup> Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

<sup>2</sup> Section 101(a)(1) of the Internal Revenue Code states as a general rule that death proceeds are excluded from the beneficiary's gross income for federal income tax purposes, however there are exceptions in some situations

<sup>3</sup> This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney or tax advisor. File#1113-2018.

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